

Macroeconomics for Developing Economies

Class 1 — Introduction

Vasudeva Ramaswamy

Centro de Investigación y Docencia Económicas (CIDE)
Maestría en Economía

Week 1, Tuesday

Today

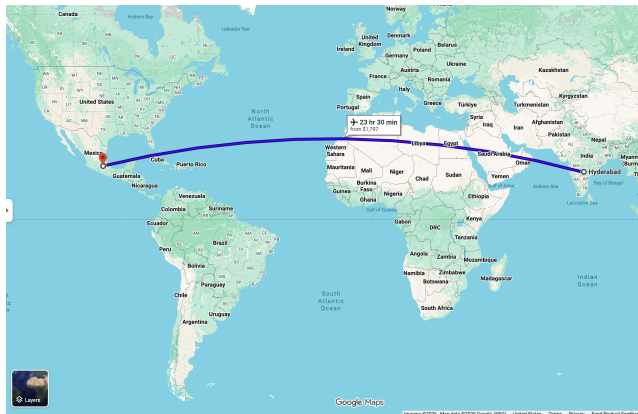
1. Course logistics
2. Introductions
3. Course overview

Logistics

Meetings	Tuesdays and Wednesdays, 13:00–14:30
Sessions	15 teaching weeks
Language	English — readings, slides, assessments
Office hours	By appointment — email me, I will always say yes
Email	<code>Vasudeva.ram@gmail.com</code>

About me

- Originally from India, currently in Washington D.C. completing my post-doc.
- Specialization: macroeconomics, tax and monetary policy, with a focus on inequality



About you

1. Your name, and where you are from
2. What you plan to do next after this degree

Why are we still “developing” countries?

Broad themes

Technology and human capital

How efficiently resources are used

Trade and openness

How connections with
the outside world matter

Firms and coordination

Who produces, and how well

Institutions and the state

How the “rules of
the game” are set

Bucket 1 — Technology and human capital

Typical reasons

- *“our schools are bad”*
- *“we don’t invent anything”*
- *“the best people leave”*
- *“we use cheap labor instead of machines”*

Course topics

- Human capital and its *quality*
- Endogenous technical change, R&D
- Technology diffusion and adoption lags
- Distance to the frontier

Weeks 2–7. The largest section of the course.

Bucket 2 — Trade and openness

Typical reasons

- *“we only export raw materials”*
- *“we depend on the United States”*
- *“the peso decides everything”*
- *“money leaves when there is a panic”*

Course topics

- Trade, and technology transfer through trade
- Terms of trade, external constraints
- Exchange-rate regimes, the policy trilemma
- Capital flows and *sudden stops*

Weeks 9–11. Includes the Mexican crisis of 1994–95 in detail.

Bucket 3 — Firms and coordination

Typical reasons

- *“everyone works informally”*
- *“small businesses never grow”*
- *“you cannot get a loan”*
- *“a few families own everything”*

Course topics

- Informality and the firm-size distribution
- *Misallocation* across heterogeneous firms
- Financial frictions and credit constraints
- Coordination failure, multiple equilibria

Weeks 12–13. Includes the role of inequality

Bucket 4 — Institutions and the state

Typical reasons

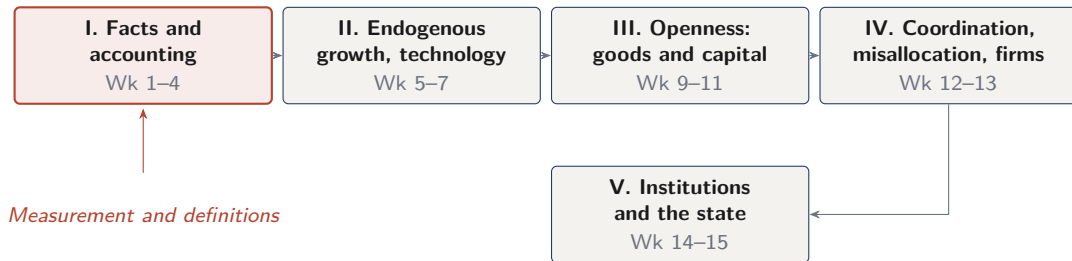
- “*corruption*”
- “*contracts are not enforced*”
- “*policy changes every six years*”
- “*colonialism*”

Course topics

- Institutions as the *fundamental cause*
- Property rights, state capacity
- Industrial policy — for and against
- Colonial origins and persistence

Week 14.

Course plan



Textbooks and recommended reading

Text	Course Section	Character
Acemoglu	Wk 1–5	Neoclassical models
Aghion & Howitt	Wk 5–7, 9	Technology
Agénor & Montiel	Wk 10–11, 15	Open economy
Ros	Wk 9, 12, 14, 15	Institutions, firms

- Journal articles will be suggested as additional readings.
- Other recommended readings are in the syllabus.

Data and lab sessions (mostly TBD)

Data

- **Penn World Table 11.0** — 185 countries, 1950–2023
- World Development Indicators
- I will give you a trimmed workbook. *You will not have to download anything large.*

Software

- Excel or Google Sheets is enough for everything required
- R, Stata, Python, MATLAB — your choice
- No programming background assumed

Five labs

1. Wk 2 — development accounting in PWT
2. Wk 4 — solving Solow and Ramsey numerically; convergence regressions
3. Wk 7 — technology adoption lags
4. Wk 11 — the Mexican crisis of 1994–95, as an event study
5. Wk 13 — misallocation

Assessment

Component	Weight	Timing
Problem sets (5)	25%	Weeks 3, 5, 7, 11, 13
Midterm exam	20%	Week 8
Final exam	30%	Exam period
Final project	25%	Proposal Wk 6 · Presentation Wk 15 · Paper finals week

The final project

12–15 pages. Either a theoretical extension of a model from the course, or an empirical analysis applying course tools to a country or policy question — **ideally a developing economy you know well**. More details will follow; the proposal is due in Week 6.

Class policies

Collaboration

Discuss the problem sets in groups. The write-up must be yours, and name your collaborators on the first page.

Generative AI

Allowed for coding help, debugging, and language editing — and you must say so in a one-line note at the end of the submission.

Not allowed for the substantive analysis or the derivations.

Before tomorrow's class

1. **Fill in the survey** which I will send after class (approx. five minutes).
2. **Read Acemoglu, Chapter 1.** Focus on the figures and get the broad picture.

Tomorrow: how large are the differences between countries,
and are they getting smaller?

Appendix — the survey questions

Fallback if the online form fails: screen-share this and collect by email

Logistics

1. Will you bring a laptop to class? (always / usually / sometimes / no)
2. Are you in the room or on Zoom? Does it vary?

Software (never used / a little / comfortable / fluent)

4. Excel or Google Sheets 5. Stata 6. R
7. Python 8. MATLAB 9. Julia

Language

16. Reading academic English: comfortable / slow but fine / hard
17. Following a lecture in English: comfortable / slow down / hard
18. Asking questions in English: comfortable / slow but fine / hard